

Retail Equity Research Transport Corporation of India Ltd.

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 73,664

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 910 TARGET Rs. 1,081 RETURN 19% ↑
(Closing: 16-05-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Healthy performance...long term outlook intact

Transport Corporation of India Ltd. (TCI) is one of the largest integrated players in the organised logistics industry. Key business segments include freight, supply chain, warehousing solutions, & shipping services.

- Revenue grew by a healthy 10% YoY, which was above our expectations, led by freight and supply chain businesses, which reported healthy double-digit growth.
- EBITDA was flat YoY, and margins dipped by 90bps YoY to 10.1% on account of softness in the seaway business and higher fuel costs.
- Net profit grew by 25% YoY, led by higher profits from JV and other income.
- Looking forward, we anticipate stable volumes in freight, E-commerce, and supply chain businesses, while seaway business is expected to improve gradually with the addition of a new ship.
- We expect PAT to grow at a 15% CAGR over FY24-26E, with stable margins of ~10.5%.
- We value TCI at a P/E of 18x on FY26E, given the healthy earnings outlook and return ratios; hence, we maintain an Accumulate rating on the stock with a target price of Rs.1081.

Double digit growth....FY25 outlook positive

In Q4FY24, TCI achieved a healthy 10% YoY revenue growth, fuelled by a 13% YoY increase in supply chain business driven by strong automotive sector volumes and the good traction of multimodal services. The trend of double-digit growth in supply chain divisions is expected to continue. Freight division revenue saw a healthy growth of 10% YoY, led by inventory build-up. The Seaway division saw a 2% YoY decline in revenue, attributable to falling freight rates and capacity overhangs. Recovery is anticipated to be gradual due to delayed ship additions and heightened competition. The company plans to add 2 ships in next 1-2 years. TCI's capex plans stand at Rs. 375cr. The long-term growth prospects for the sector remain strong, driven by strong economic growth, government infrastructure spending, and e-commerce penetration. Management has guided revenue and profit to grow by 10-15%. We anticipate TCI revenue to grow by 16% CAGR over FY24-FY26E.

Margins to remain at 10.5% over FY24-26E

In Q4FY24, TCI's EBITDA remained flat YoY, primarily attributed to a reduced contribution from the seaways business and higher operating expenses. Consequently, margins witnessed a contraction of 90bps YoY, to 10.1%. However, Net profit was boosted by strong profitability from the JV business, which grew by 2x and higher other income, which was up by 37% YoY. The seaway business revival is expected to take some more time. While we expect healthy growth with a normal monsoon, healthy macros, and a revival in consumption post-elections. However, any meaningful improvement is expected only once the seaway business sees normalization. We maintain our EBITDA margin estimates at 10.5% over FY24-26E. We maintain an optimistic outlook, projecting a robust 15% CAGR in PAT over FY24-26E.

Valuations

TCI has well-diversified service offerings, a multi-sectoral presence, and a healthy balance sheet. The long-term outlook for the sector is improving, given strong economic growth prospects, increasing penetration of e-commerce, and GST & E-way bills. We value TCI at a P/E of 18x on FY26E and maintain an Accumulate rating, with a target price of Rs.1081.

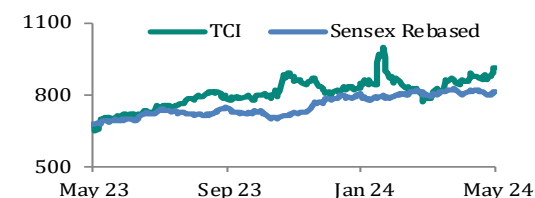
Company Data

Market Cap (cr)	Rs.7,076
Enterprise Value (cr)	Rs.7,127
Outstanding Shares (cr)	7.7
Free Float	30.0%
Dividend Yield	0.82%
52 week high	Rs.1,080
52 week low	Rs.638
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	68.9	68.9	68.9
FII's	2.6	2.6	2.7
MFs/Institutions	12.8	12.8	12.2
Public	14.2	14.2	14.7
Others	1.5	1.5	1.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.0%	8.5%	32.4%
Absolute Sensex	8.9%	10.6%	17.7%
Relative Return*	-12.0%	-2.1%	14.7%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	4,024	4,704	5,383
Growth (%)	4.6	17.0	14.4
EBITDA	411	495	565
EBITDA Margin(%)	10.2	10.5	10.5
PAT Adj.	353	399	467
Growth (%)	10.1	13.1	17.0
Adjusted EPS	45.4	51.4	60.0
Growth (%)	10.0	13.1	17.0
P/E	20.0	17.7	15.2
P/B	3.5	3.0	2.6
EV/EBITDA	17.4	14.4	12.4
ROE (%)	19.1	18.4	18.3
D/E	0.1	0.0	0.0

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Sales	1,079	979	10.2	1,002	7.7	4,024	3,781	6.4
EBITDA	109	108	1.2	100	9.5	411	422	-2.8
EBITDA margin	10.1	11.0	-0.9	10.0	0.2	10.2	11.2	-1.0
Depreciation	33	31	7.4	33	0.9	128	121	5.8
EBIT	76	77	-1.2	67	13.8	282	301	-6.3
Interest	4	2	73.7	4	17.1	13	10	35.4
Other Income	17	12	36.7	10	73.7	46	32	44.0
Exceptional Items	-	-	-	-	-	-	-	-
PBT	109	97	11.6	91	19.2	391	367	6.3
Tax	3	11	-75.6	11	-74.1	34	43	-22.7
Share of profit from Associate	20	11	89.6	-	-	76	44	71.1
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	103	82	25.3	80	28.8	355	321	10.6
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	103	82	25.3	80	28.8	355	321	10.6
No. of Shares	62.5	62.5	-	62.5	-	62.5	62.5	-
EPS (Rs)	13.3	10.7	24.3	10.3	28.8	45.6	41.6	9.7

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	4,641	5,315	4,704	5,383	1.4	1.3
EBITDA	489	558	495	565	1.3	1.3
Margins (%)	10.5	10.5	10.5	10.5	-	-
Adj. PAT	390	446	399	467	2.4	4.7
EPS	50.3	57.5	51.4	60.0	2.1	4.4

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	3,257	3,783	4,024	4,704	5,383
% change	16.2	16.1	6.4	16.9	14.4
EBITDA	409	424	411	495	565
% change	56.5	3.7	-3.2	20.7	14.1
Depreciation	113	121	128	145	168
EBIT	296	303	282	351	398
Interest	13	10	13	18	20
Other Income	20	30	46	43	52
Share of JV	28	44	76	95	120
PBT	330	364	388	470	549
% change	89.6	10.2	6.6	21.1	16.9
Tax	38	43	34	70	82
Tax Rate (%)	11.4	11.9	8.7	15.0	15.0
Reported PAT	290	317	351	399	467
Adj.*	-	3	2	-	-
Adj. PAT	290	321	353	399	467
% change	23.3	10.7	10.1	13.1	16.9
No. of shares (cr)	7.7	7.8	7.8	7.8	7.8
Adj EPS (Rs)	37.5	41.3	45.4	51.4	60.0
% change	80.3	10.4	9.9	13.1	16.9
DPS (Rs)	5.3	7.0	7.0	7.0	7.0

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	68	170	83	99	210
Accounts Receivable	508	561	601	696	796
Inventories	8	5	11	14	17
Other Cur. Assets	241	262	294	335	398
Investments	193	286	543	623	703
Gross Fixed Assets	1,314	1,347	1,546	1,896	2,146
Net Fixed Assets	798	788	859	1,065	1,147
CWIP	7	26	109	25	30
Intangible Assets	3	3	3	3	3
Def. Tax (Net)	(28)	(30)	(33)	(33)	(33)
Other Assets	-	-	-	-	-
Total Assets	1,799	2,071	2,469	2,827	3,270
Current Liabilities	258	240	253	259	284
Provisions	25	28	32	39	44
Debt Funds	59	71	147	147	147
Other Liabilities	27	30	33	33	33
Equity Capital	15	16	16	16	16
Reserves & Surplus	1,415	1,686	1,988	2,333	2,746
Shareholder's Fund	1,430	1,702	2,004	2,349	2,761
Total Liabilities	1,799	2,071	2,469	2,827	3,270
BVPS	185	219	258	302	355

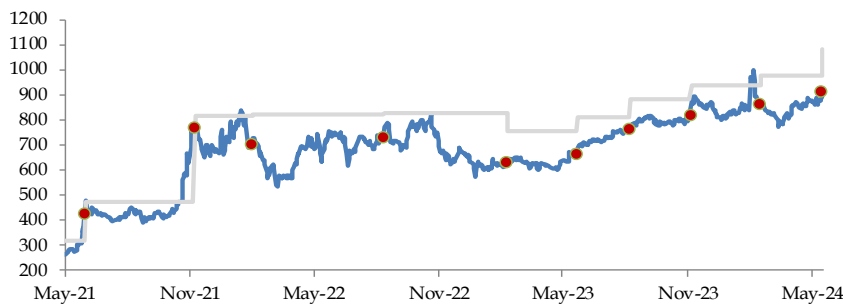
CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	406	442	483	544	634
Non-cash adj.	(22)	(8)	(85)	(119)	(152)
Changes in W.C	(16)	(73)	(99)	(127)	(135)
C.F. Operation	368	361	299	297	348
Capital exp.	(71)	(153)	(242)	(266)	(255)
Change in inv.	(3)	(7)	4	(80)	(80)
Other invest.CF	(3)	(33)	(167)	138	172
C.F - Investment	(76)	(193)	(404)	(208)	(163)
Issue of equity	3	4	4	-	-
Issue/repay debt	(226)	(8)	78	-	-
Dividends paid	(41)	(54)	(55)	(54)	(54)
Other finance.CF	6	(7)	(9)	(18)	(20)
C.F - Finance	(258)	(65)	18	(73)	(74)
Chg. in cash	34	102	(87)	16	110
Closing cash	68	170	83	99	210

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	12.6	11.2	10.2	10.5	10.5
EBIT margin (%)	9.1	8.0	7.0	7.5	7.4
Net profit mgn.(%)	8.9	8.5	8.8	8.5	8.7
ROE (%)	22.3	20.5	19.1	18.4	18.3
ROCE (%)	18.3	17.8	14.8	13.8	13.9
W.C & Liquidity					
Receivables (days)	57.1	51.6	52.7	50.3	50.6
Inventory (days)	0.9	0.6	0.7	1.0	1.1
Payables (days)	2.0	2.8	2.9	2.6	2.3
Current ratio (x)	2.9	3.7	3.5	3.8	4.3
Quick ratio (x)	2.2	3.0	2.7	3.1	3.5
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.8	2.8	2.7	2.7
Total asset T.O (x)	1.9	2.0	1.8	1.8	1.8
Int. covge. ratio (x)	23.1	30.8	21.2	19.0	20.0
Adj. debt/equity (x)	0.0	0.0	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.2	1.8	1.8	1.5	1.3
EV/EBITDA (x)	17.3	16.4	17.4	14.4	12.4
P/E (x)	24.3	22.0	20.0	17.7	15.2
P/BV (x)	4.9	4.1	3.5	3.0	2.6

Recommendation summary (last 3 years)



Dates	Rating	Target
31-May-21	Accumulate	471
08-November-21	Hold	818
01-February-22	Accumulate	820
12-August-22	Accumulate	829
09-February-23	Buy	755
23-May-23	Buy	813
08-August-23	Accumulate	882
06-November-23	Accumulate	938
16-February-24	Accumulate	977
17-May-24	Accumulate	1,081

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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